

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – FEBRUARY 23, 2005

PRESENT: Chairman Anthony Maiola and Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Aidan Moore, Chief of Enforcement; Howard Roundy, Director of Information Technology; Peter Engel, Director of Store Operations; Richard Gerrish, Spirits Marketing Specialist; Nicole Brassard, Wine Marketing Specialist; Evie Taft, Human Resources Administrator; George Tsiopras, Chief Financial Officer. Guests: Al Picconi, United Beverages, Inc.; Michael Gocłowski, Law Warehouses.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending February 20, 2005 shows retail sales were up 9.7%, on-premise sales were up almost 7.2%, off-premises sales were up 36.5%, and total aggregate sales were up by 13.5%. The traffic count also increased by 8,082, as did the average sales ticket by \$.22.

The W-1 Total Weekly Sales report for the same week indicates total sales were up 13.47% or \$789,511 for the week, and were also up for the year by 5.7% or \$14,328,745. Wine sales were up for the week by 19% or \$508,520, as they were by about 6.3% or \$7,303,099 for the year. Sales of spirits increased by 8.8% or \$280,990, and were also up year-to-date by 5.2% or \$7,025,646.

There was nothing of significance to report regarding depletions/post-offs.

A meeting is scheduled for this morning in the second floor conference with Paymentech relative to bulk activation of gift cards.

B. Budget/Administrative Reports:

The Commission has no agenda items scheduled for this Friday's Governor and Council meeting.

Craig and Howard met yesterday with Verizon representatives who provided an update on their recent inspection of wiring at our top ten stores as a result of the difficulties at Store #73 Hampton over the Thanksgiving holiday period in 2004. A review of wiring in the top ten stores has been completed. They also presented options regarding alternative communication links in order to process credit cards, should our regular network communication link fail.

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One option is to add T-1 lines for selected stores. The costs for T-1 lines have been reduced substantially by Verizon, which would allow for extra band width. The extra band width would allow us to do distance training and security monitoring over the network. Howard said that to install one additional POTS line in ten stores would cost about \$285 per month, or just under \$3,600 per year. This would provide alternative credit card processing capability in our top ten stores, should we lose our regular network. Commissioner Byrne asked that an analysis be run covering a one year period.

There will be a hearing on HB 364 regarding the use of alcohol as part of culinary arts programs in high schools.

The current W-6 Expense Budget Activity Variance Report shows the year to be about 65% complete, with total agency expenditures at around 61%. An invoice for about \$70,000 was received from OIT for expenses not levied during the first quarter of the year.

The new travel policy has been rolled out to more employees at headquarters and to several in the warehouse. The store supervisors are currently using this new process; within the next month or two it will be passed down to the store managers.

George reported that last week at Store #76 Hampton a tractor trailer took down a light bulb. The insurance company is trying to pay for the cost directly to the Commission. George will contact them and report back on this item.

2. IT Report

Yesterday Howard met with personnel from Acapella, which is made up of former Taylor group personnel, and represents Microsoft's Retail Management Systems.

IT is continuing work to enable depletion allowances to be put on line within the next week or so.

IT personnel will be coming to individual computers to perform some more security work.

Chris Vassillion will be doing the last training class on graphical interface for Mapper, with 33 people having gone through the training. She is willing to conduct another class if needed.

3. Human Resources Report No report presented.

II. MARKETING & SALES REPORTS

1. Store Operations:

Total store sales for the week ending 2/20/05 rose by 9.21% or \$425,272.08. Commissioner Byrne asked Peter to recheck the variances for Store #73 Hampton. Although Store #55 Bedford has had sales of almost \$1.8 million, the other Manchester stores have only declined by around \$600,000.

Peter will attend the Keene building meeting with the Department of Transportation this afternoon in Keene.

The owner of the Raymond shopping plaza will send correspondence to the Commission regarding purchase of the store location there. Commissioner Byrne mentioned that the Governor has someone who is looking at all state properties.

Regarding store locations, Peter reported that there is a space next to Walmart in Gilford for a potential new store location. The property manager will approach the owner of the plaza and get back to Peter during the second week in March. He also reported that the landlord in Center Harbor is willing to accept reduced rent for unfinished upstairs space. Peter plans to call the contact person for the Berlin store regarding issues with the proposed lease. The builder for the proposed site for Glen has gone back to the bank to acquire financing. However, the landlord at the present location would have no objections to the store remaining there.

Product knowledge training is being conducted today in Manchester and Plymouth and will then be held in Concord and Portsmouth.

2. Purchasing Report

John Bunnell reported that out-of-stock inventory continues to show improvement, with nothing out of the ordinary to report.

Mike Goclowski said Law had experienced serious problems with their own communication lines. However, 59 orders were saved on Sunday night, and everyone who was supposed to receive an order did so.

3. Merchandising Report

A. SPIRITS:

1) Test Market Products:

a. Test Market Request (Smirnoff Screwdriver & Cape Codder):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Diageo North America for new test market listings for Smirnoff Screwdriver, 1.75L size (assigned new Code #5509) and Smirnoff Cape Codder, 1.75L size (assigned new Code #5511), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Result (Code #3616, #2612 & #4322):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission grant specialty listings to three (3) spirit items which exceeded their respective gross profits required for specialty item consideration at the conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Swap Request (McClelland Speyside Single Malt):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/White Rock Distilleries to replace Code #2167, McClelland Speyside Single Malt, 750ML size, with a 1.75L size of this product (assigned new Code #2179) and also approve the delisting and reduction in price for Code #2167, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) One Time Buy (Smirnoff Twist Variety Pack):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from United Beverages, Inc./Diageo North America for the Commission to make a one time buy of Code #1173, Smirnoff Twist 50ML Variety Pack, to be featured on sale during May, June, July and August 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Purchase and On-Pack Request (Sauza and Malibu):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/

Allied Domecq USA to conduct a value added package program consisting of on-packs of non-alcoholic mixers, Sauza Margarita and Malibu Pina Colada, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) April Special Offers (159 items – United Beverages, Inc.):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon special purchase allowances for one hundred and fifty-three (153) spirit items, to be featured on sale during April 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales, but table special offers for six (6) spirit items, pending further negotiations. The motion was unanimously adopted.

6) Revised April Special Offers:

a. 2 items – Perfecta Wine Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve revised special offers from Perfecta Wine Company, based upon special purchase allowances for two (2) spirit items, to be featured on sale during April 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 2 items – Executive Wine & Spirits:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve revised special offers from Executive Wine & Spirits, based upon special purchase allowances for two (2) spirit items, to be featured on sale during April 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 1 item – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a revised special offer from Horizon Beverage Company, based upon a special purchase allowance for one (1) spirit item, to be featured on sale during April 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist and

concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. 4 items – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve revised special offers from Horizon Beverage Company, based upon special purchase allowances for four (4) spirit items, to be featured on sale during April 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) Special Offers for April 2005:

a. 5 items – Charles Zoulias:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Charles Zoulias, based upon depletions/special purchase allowances for five (5) wine items, to be featured on sale during April 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 62 items – M.S. Walker, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from M.S. Walker, Inc., based upon depletions/special purchase allowances for sixty-two (62) wine items, to be featured on sale during April 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 31 items – Executive Wine & Spirits:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits, based upon depletions for thirty-one (31) wine items, to be featured on sale during April 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- d. 51 items – Martignetti Companies of N.H.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Martignetti Companies of N.H., based upon depletions/special purchase allowances for fifty-one (51) wine items, to be featured on sale during April 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- e. 134 items – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions/special purchase allowances for one hundred thirty-four (134) wine items, to be featured on sale during April 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 2) Geyser Peak Sauvignon Blanc & Sushi Sweepstakes:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from United Beverages, Inc./Peak International to conduct a Geyser Peak Sauvignon Blanc & Sushi Sweepstakes during April and May 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 3) Recommended Allocated Wines for Distribution to Selected Stores (4 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the distribution of four (4) allocated wine items to selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 4) “R” Wines for Allocation to Licensees Selected by the Broker (8 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve eight (8) restricted wine codes for allocation to licensees selected by the broker, and retail distribution, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 5) Primary Source Submissions (1 primary source; 11 exclusive agent; 16 imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of one (1) wine code which is from primary source, eleven (11) wine codes which are not from primary source, but are offered by the exclusive marketing agent, and sixteen (16) wine codes which are not from primary source, but are imported, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORT – None.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated February 17 through February 23, 2005. The motion was unanimously adopted.

2. Coupon Approvals:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed coupon (pad, necker and consumer offer) requests for the month of March 2005. The motion was unanimously adopted.

3. Late Items/Other: None.

Anthony C. Maiola, Chairman

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford

